



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Public Works and Parks



Date: March 22, 2013

Board Meeting Date: April 23, 2013

Special Notice / Hearing: None

Vote Required: 4/5ths

To: Honorable Board of Supervisors

From: James C. Porter, Director of Public Works and Parks

Subject: Crystal Springs / El Cerrito Trunk Sewer Transmission Line Improvement Project

RECOMMENDATION:

- A) Acting as County of San Mateo and the Governing Board of the Crystal Springs County Sanitation District, adopt a Resolution:
- 1) Authorizing the Second Amendment to the Sanitary Sewage Agreement between the Town of Hillsborough, City of San Mateo, Crystal Springs County Sanitation District, and County of San Mateo for the environmental study and design costs associated with improvements to the Crystal Springs/El Cerrito trunk sewer transmission lines; and
- B) Resolution authoring an Appropriation Transfer Request in the amount of \$897,889 from various accounts to the Facilities and Crystal Springs County Sanitation District budgets. (4/5ths vote required)

BACKGROUND:

On July 18, 1989, acting as the County of San Mateo (County) and the Governing Board of the Crystal Springs County Sanitation District (District), your Board entered into a Sanitary Sewage Agreement (1989 Agreement) with the Town of Hillsborough (Hillsborough), and the City of San Mateo (San Mateo). The 1989 Agreement set forth the parties' respective rights and obligations for the use and ownership of sewage conveyance and treatment facilities jointly used by the four agencies.

In 2009, the California Regional Water Quality Control Board issued a Cease and Desist Order R2-2009-0020 (CDO) to Hillsborough, San Mateo, and the District due to sewage overflows from, among other places, the Crystal Springs/El Cerrito Trunk Sewer (Trunk Sewer). The CDO requires that the three parties improve performance and capacity of the sewer facilities within their jurisdictions. Some of the sewer facilities identified in the

CDO are subject to the 1989 Agreement; specifically, the Trunk Sewer and improvements must be completed by September 2015.

On September 28, 2010 your Board adopted Resolution No. 071055 that approved execution of an amendment to the 1989 Agreement (Amendment No. 1). Amendment No. 1 committed the County and District to paying their respective shares of the anticipated cost for the environmental study and design for the Trunk Sewer Improvements within Hillsborough and San Mateo. The Amendment included a total cost of \$1,400,000 with the County's and District's shares being \$84,000 (6%) and \$518,000 (37%), respectively.

On July 24, 2012 your Board adopted District sewer service rates for FY 2012-13 to support the operation and maintenance of the District facilities. The rates also support loan or bond payments by the District for their share of costs associated with the Trunk Sewer Improvement projects, if financing is obtained by the downstream agencies.

DISCUSSION:

The Trunk Sewer is a jointly used facility, as defined in the 1989 Agreement, which carries sewage collected from the County's Tower Road facilities, the De Anza Boulevard area in San Mateo, the District, and portions of Hillsborough to San Mateo facilities and eventually to San Mateo's Wastewater Treatment Plant. In 2010 the District, the County, Hillsborough, and San Mateo jointly commissioned a Sewer System Flow Monitoring and Hydraulic Modeling Study (Study) to determine the proportional share of sewage flows generated from each agency's sewage area during dry and wet weather. The Department reviewed the Study and recommended that the wet weather flow percentages be used as the basis for the proposed cost allocations for the Trunk Sewer Improvements as reflected in both Amendments.

Hillsborough and San Mateo have managed the environmental study and design work for the Trunk Sewer Improvements within their respective jurisdictions. The environmental work performed in connection with the Hillsborough project was much more extensive than originally anticipated by Hillsborough. The project is adjacent to Crystal Springs Creek, which includes areas that are rich in archeological significance and habitat. Hillsborough had estimated the cost to complete the environmental and design work pursuant to Amendment No. 1 to be \$400,000. However, Hillsborough has spent \$1,492,116 in addition to the costs included in Amendment No. 1 and anticipates an additional \$93,000 will be required to complete this work. Amendment No. 2 includes a total estimated cost of \$1,985,116 for the environmental study and design work for the Hillsborough project. The costs to the County and District as included in Amendment No. 2 are \$95,106.96 and \$586,492.92, respectively. Hillsborough has not invoiced the County or District in accordance to Amendment No. 1. The Appropriation Transfer Request (ATR) includes funds for the County's portion of Hillsborough's project as identified in Amendment No. 1 and 2. The ATR includes the District's portion of Amendment No. 2 costs as the funds associated with Amendment No. 1 were included in the District's budget for FY 2012-13.

San Mateo estimated a cost of \$1,000,000 for the environmental work and design work for their project as outlined in Amendment No. 1. San Mateo has estimated that an additional \$447,183 is necessary to complete the remaining environmental and design work. The additional costs to the County and District, not previously agreed to in Amendment No. 1, are \$26,830.98 and \$165,457.71, respectively. Amendment No. 1 specified that San Mateo would bill the agencies for the environmental work and 35% of the design work upon execution of the Amendment in an amount equal to \$547,000. San Mateo has billed that amount of which the County and District paid the City \$32,820 and \$202,390, respectively.

Amendment No. 2 stipulates that Hillsborough and San Mateo will invoice the County and District for costs they have incurred to date for their projects within three months of execution of Amendment No. 2. The additional estimated costs to be incurred by Hillsborough and San Mateo will be invoiced based on the established percentages and payments are to be deposited for Hillsborough and San Mateo to draw upon. The County and District will continue to participate in the review process for the environmental study and design work.

The Department has communicated the District's financial obligations for sewer system improvements through the sewer service rate setting process. The projects and financial obligations of the CDO are significant and have had a substantial impact on the sewer rates required to support the District requirements.

The estimated total cost, including environmental and design, to construct the Trunk Sewer Improvements is currently \$27,000,000. Based on this estimate the County's and District's total project costs would be \$1,620,000 and \$9,990,000, respectively. Hillsborough is applying for a State Revolving Fund Loan to finance their proportionate shares for their project and San Mateo's project. San Mateo does not intend to finance their shares of both projects through bonds or loans, but pay with available funds.

The District has been setting rates based on the premise and understanding that both downstream projects would be financed by the agency whose jurisdiction the project was located in. However, the financing picture has changed and the District is expected to identify acceptable financing on their own. The District will have to increase sewer rates substantially if they are to qualify for financing on their own. The District is considering what options are available to pay their portion of the downstream projects. There may be future impacts to the General Fund associated with the County's use of the sewage facilities from the Tower Road Campus, as the County's share of the total project cost may be paid through the Facilities Services operating budget.

County Counsel has reviewed and approved the Resolutions and Amendment as to form.

Approval of this Amendment contributes to the Shared Vision 2025 outcome of a Collaborative Community by continuing the partnership with other agencies to provide for effective sewage transmission lines for our communities.

FISCAL IMPACT:

Amendment No. 1 and 2 set forth each party's proportional responsibility for the environmental review and design work for the Trunk Sewer Improvements mandated by the CDO. The anticipated cost of the environmental study and design for the Trunk Sewer Improvements included in both Amendments is \$3,432,299 and will be funded as follows:

Agency	Amendment No. 1	Amendment No. 2	Total
County (Tower Road Facilities) (6%)	\$84,000.00	\$121,937.94	\$205,937.94
District (37%)	\$518,000.00	\$751,950.63	\$1,269,950.63
City of San Mateo (6%)	\$84,000.00	\$121,937.94	\$205,937.94
Town of Hillsborough (51%)	\$714,000.00	\$1,036,472.49	\$1,750,472.49
Totals	\$1,400,000	\$2,032,299.00	\$3,432,299.00

The ATR includes funding for the County's portion of Amendment No. 1 that has not been billed by Hillsborough, the County's portion of funding for Amendment No. 2 and the District's portion of funding for Amendment No. 2 costs. The District's share of the cost will be funded through the sewer service charges collected from the property owners within the District. The County's share of the cost will be financed from the County's General Fund.